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Portugal

Exporter Guide

1999

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Report Highlights:
This report provides information on Portugal's value-added food market and provides practical tips to U.S. companies regarding exporting to Portugal. While the level of U.S. exports of value-added food products to Portugal has been limitied, strong economic growth and changing consumption patterns implies that for growth in sales exists.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Lisbon[PO1],PO

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SECTION I. MARKET OVERVIEW

Since Portugal's entry into the European Community in 1986, the country has undergone a tremendous transformation. Portugal has successfully parlayed a dozen years of well-managed EU infrastructure funds into strong economic growth, low inflation and substantial new foreign investment in productive capacity. Portugal has increased its standard of living closer to that of its EU partners. GDP per capita on a purchasing power parity basis rose to over 70% of the EU average in 1997 from just over half of the EU average in 1986.

The Portuguese economy is thriving, with record highs in its stock market, low unemployment, and a founding membership in the European Monetary Union of which its leaders are justifiably proud. After years at the periphery of the Iberian Peninsula, Portugal is finally fulfilling its geo-strategic and economic potential as the gateway to a unified Europe.

Over the last six years, practically all the economic indicators have been positive. The Portuguese economy has experienced robust economic growth since 1993, driven primarily by investment and by domestic consumption. In 1998, the economy grew at an estimated 3.9%, well above the EU average. Portugal's unemployment rate, currently at 4.8% is also significantly lower than that of its neighbors.

Imports and exports have expanded rapidly, and growth during 1997 is expected to be in the 7-8% range for both. Exports have mushroomed over the past decade as Portugal has benefitted from the EU open market. Similarly, the growth in imports underscores strong Portuguese demand for foreign goods. The increasing influence of both imports and exports show the rapid integration of Portugal into the global economy.

For U.S. firms, Portugal's emergence as a full partner in Europe has meant a stable location open to foreign investment and an increasingly attractive market for exports. Portugal is an independent European market of 10 million, which is somewhat overlooked by U.S. suppliers. As not among the leading markets for U.S. ag products, Portugal does not rank on top of the lists of new markets to explore. But Portugal does have a number of things going for it that argue for U.S. firms to pay closer attention: significant indirect U.S. imports; strong trade links as the preeminent supplier to Lusophone Africa; and the prospect for continued growth stemming in part from ongoing EU investment.

In Portugal, modern sales techniques still coexist with some traditional practices. Modern sales techniques are generally accepted and effective but traditional values continue to be respected. Many businessmen still consider personal contact and a handshake stronger than a contract, but they will not be offended if a formal contract is asked. Portugal is a relatively small country and most sales channels cover the entire territory. Distribution centers tend to be located in Lisbon and Porto. However, many large importers and wholesalers have branch sales offices and/or sub-agents or dealers in the principal cities and towns, including those of the Portuguese islands of Madeira and the Azores. As a fully integrated member of the EU, Portugal abides by the rules and regulations governing the EU. If an American exporter is already exporting to any other EU country, then more than likely the exporter already meets many of the requirements for exporting to Portugal. To expedite marketing, U.S. exporters must contact Portuguese importers and/or distributors. The Office of Agricultural Affairs in Lisbon maintains listings of potential importers and provides them to those U.S. suppliers who wish to explore market opportunities in Portugal.

Market opportunities for U.S. high-value consumer foods and beverages and edible fishery products exist in Portugal. Below are key points regarding the market:

- Due to Portugal's economic situation, Portuguese consumers have seen their purchasing power increase every year and increasingly buy on impulse.

- Direct sales, large supermarkets and hypermarkets and shopping malls are part of everyday life.

- Traditional eating habits have changed drastically in the last few years.

- For consumer goods, the decisive selling factors are price, quality, brand name or the product's innovative features.

- Portugal's market size for consumer-oriented products was U.S. $1.931 billion in 1998, with an expected yearly growth rate of 3 percent through 2003; edible fishery products were U.S. $921 million, with an expected yearly growth rate of 2 percent through 2003.

Advantages and Challenges Facing U.S. Products in Portugal

Advantages	Challenges
Portugal is a net importer of food and agricultural products.	Importers still have limited knowledge regarding the quality and supplies of U.S. consumer-oriented products.
The small number of Portuguese importers who handle U.S. food products are aware of its quality.	The strength of the dollar has weakened the price competitiveness of U.S. products.
Domestic distribution systems are efficient.	High marketing costs (advertising, discounts, etc.) are necessary.
Food products in the market are becoming more diversified.	Competition from neighboring EU countries is fierce.
Overall sales of consumer-oriented food products have increased substantially in the last three years.	U.S. exports face higher transportation costs and difficulties in shipping mixed or smaller container loads.
The retail food market is very competitive.	Supermarkets and hypermarkets shelf space is extremely expensive.
Consumers are more health conscious, and tastes are becoming more sophisticated	U.S. competitors who are determined to maintain market share, must conduct annual promotion activities.
Higher purchasing power and an impulse to buy makes Portugal an attractive market.	Importers prefer to take delivery on short notice from neighboring countries to avoid carrying stocks and storage charges.

SECTION II. EXPORTER BUSINESS TIPS

1. Local Business Customs

Success in introducing your product in the market depends on acquiring local representation and making personal contact. The advantages of local representation include market knowledge, up-to-date information and guidance on business practices and trade laws, sales contacts, and market development expertise. While modern sales techniques coexist with some traditional practices, many business people still prefer personal contact as a way of doing business rather than just via fax or phone. English is a widely spoken second language in Portugal, and U.S. exporters can expect to conduct their meetings with private and government contacts in English.

Large importers and wholesalers have branch sales offices and/or sub-agents or dealers in the principal cities and towns, with main offices concentrated in Oporto and Lisbon. Typically, food products are imported by an importer, broker and/or a distributor.

2. General Consumer Tastes and Preferences

As consumer tastes are becoming more sophisticated, the market is increasingly characterized by a trend towards more novelties and specialities, less basic foodstuffs, more fresh fruit, seafood and meat, good vegetables and delicatessen foods. Consumers are also increasingly seeking high quality and attractive packaging. In addition, consumers are more health conscious and interest in wholesome/natural foods is high. Products that were consider luxury products a few years ago, such as mushrooms, asparagus, celery, tropical fruits and vegetables, ice-creams and breakfast cereals, have now become ordinary consumer goods. Influenced by constant advertising in the daily and weekly press and TV, consumers tend to imitate fashionable trends, use new products and adopt new consumption habits.

3. Food Standards and Regulations

Portugal, as an EU member state, follows all rules and regulations that govern food legislation within the European Union. For more information on food standards and regulations, please consult the Food and Agricultural Import Regulations and Standard Report for Portugal (PORTUGAL FAIRS REPORT) - PO9025, dated July 1999. To get a copy of this report, please visit the Foreign Agricultural Service home page, http://www.fas.usda.gov.

4. General Import and Inspection Procedures

Portugal uses the Harmonized Nomenclature and Classification System (HS) and applies import duties according to a maximum and minimum rate schedule. The minimum tariff schedule is applied to goods originating in countries entitled to the benefits of most-favored nation treatment (that is, members of the GATT and countries with which the EU has signed trade agreements) including the United States and most other countries.

The following documents are required for ocean or air cargo shipments of foodstuffs to Portugal:

Bills of Lading and Airway Bills

No consular legalization is required;
Two copies of the document are required;
Portuguese or English language are accepted.

Commercial Invoice
Two copies are required.

Phytosanitary Certificate and/or Health Certificate
See the FAIRS Report for Portugal, PO9025, July 1999.

Import Certificate
Most foodstuffs require an Import Certificate issued by the competent Portuguese agency. However, the Import Certificate is obtained by the Portuguese Importer and/or the agent involved in the business.

For more information on import and inspection procedures please see PO9025, July 1999 - FAIRS Report for Portugal. To get a copy of this report, please visit the Foreign Agricultural Service home page, http://www.fas.usda.gov.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

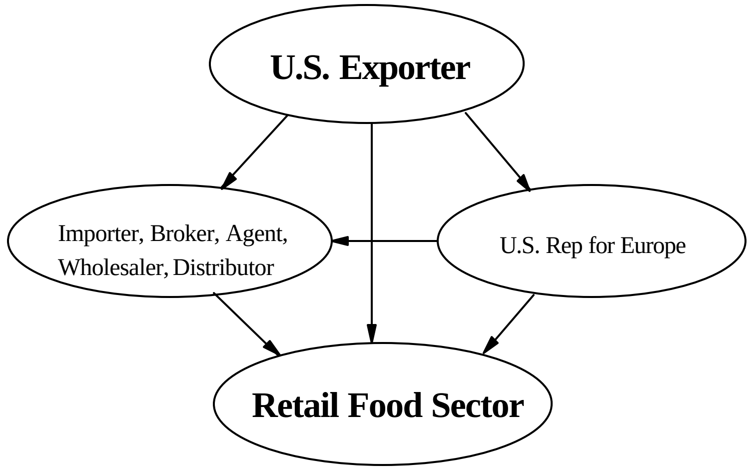
1. Food Retail Sector

The Portuguese retail food market is very competitive and domestic distribution systems are efficient. Hypermarkets, supermarkets, convenience stores, hard discount stores and specialized stores still coexist with the traditional trade, namely grocery stores and wet markets.

- In 1997, the total number of retail outlets was estimated at 30,407, which account for 3 stores per 1,000 inhabitants.
- In 1997, total retail sales were estimated at 6.3 billion dollars.
- The retail food sector is expected to continue to increase at a 1-3 percent rate in the next 5 years.
- Around 80 percent of the food purchases are made in hyper and supermarkets, and this share will continue to increase.
- An increasing supply of imported products has intensified competition among suppliers and retailers, adding increasing demand for high quality and attractive packaging.
- In 1998, consumer-oriented total imports amounted to 1,931 million dollars.

- The European Union is the first supplier of imported consumer-oriented products, accounting for 89 percent of total imports.

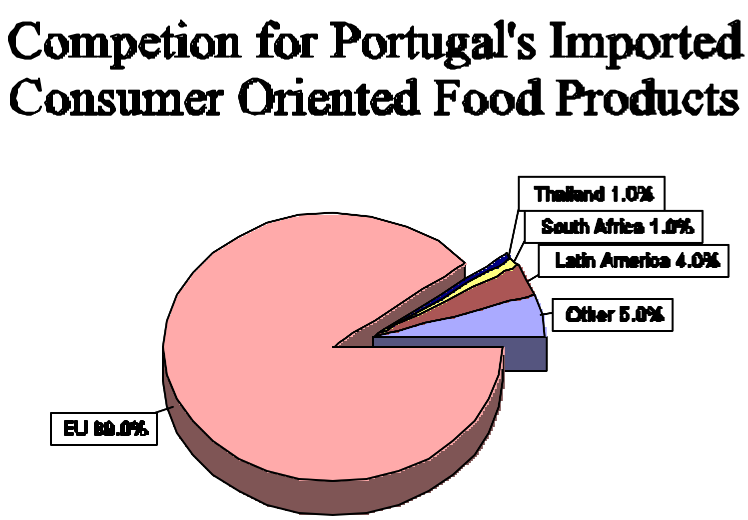
- Market structure:



For more information on the Portuguese Retail Food Sector, please consult the sector report PO9038, dated November 1999. To get a copy of this report, please visit the Foreign Agricultural Service home page, http://www.fas.usda.gov.

2. HRI Sector

Portugal's HRI sector expanded significantly during the 80's and early 90's due to social and economic changes, particularly the entry of more women in the labor force. The importance of the sector in Portugal and the continued specialization and growing level of management expertise among HRI leaders makes this sector an important area for food exporters to target.



- Total number of restaurant units rose from 30,000 some 20 years ago to a total of 90,000 at present.

- Restaurant sales are currently estimated at about USD$3.92 billion.

- The HRI sector is forecast to expand at a 3% yearly rate in the next 3-5 years.

- Restaurant chains are gaining a larger share of the market (accounting for 7% of the total number of units) and is expect to growth significantly in the future.

The large quantities of food sold through the HRI channels make it an important sector as food distribution channels are concerned. However, U.S. suppliers remains critically affected by many restrictions:

- Trade barriers, whether tariff or non-tariff, remain critical for a number of products, including most raw meats.

- Import quotas and EU preferential trade agreements with specific countries limit U.S. potential exports of seafood into Europe.

- A mature EU food industry tends to restrict product areas in which the U.S. is a competitive exporter. (Food processing sector)

- Key Portuguese HRI suppliers are:

  - Traditional wholesalers
  - Local markets (mainly for fresh produce)
  - Supermarkets and/or hypermarkets
  - Cash & Carries

For more information on the Portuguese HRI Sector, please consult the sector report PO9013, dated May 1999. To get a copy of this report, please visit the Foreign Agricultural Service home page, http://www.fas.usda.gov.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Walnuts
Peanuts
Edible Pulses
Wine, Beer and Bourbon
Fruit Juices and Non-Alcoholic Beverages
Seafood (Lobster, Salmon, Frozen Seafood)
Frozen Vegetables, including French Fries
Microwavable Food Products, Frozen and Non-Frozen
Processed Fruits and Vegetables
Dried Fruits and Dried Fruit Mixes
Sauces and Condiments
Snack Foods

Breakfast Cereals
All Kinds of Low Calorie Products
Food Supplements and Health Foods
Herbal Teas
Pet Food
Organic Food Products
Ethnic Foods

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Portugal, please contact the Office of Agricultural Affairs in Lisbon at the following address:

Office of Agricultural Affairs Lisbon
US Embassy
Av. Das Forças Armadas
1600-081 Lisboa
Tel: 351-21-770-2358
Fax: 351-21-726-9721
email: aglisbon@esoterica.pt
Home page: http://homepage@esoterica.pt/~aglisbon

Please contact our home page for more information on exporting U.S. food products to Portugal, including "The Food Retail Sector Report" and "The HRI Food Service Sector Report". Importer lists are available from our office to exporters of U.S. food products. A list of Portuguese trade associations and useful government agencies is provided below:

1. Portuguese Trade Associations

APED-Associação Portuguesa de Empresas de Distribuição
(Portuguese Association of Distribution Companies)

Campo Grande, 285-5º
1700-096 Lisboa
Tel: 351-21-751-0920
Fax: 351-21-757-1952

ARESP-Associação da Restauração e Similares de Portugal
(Portuguese Associations for HRIs Sector)

Av. Duque d'Avila, 75
1000 Lisboa
Tel. 351-21-352-7060

Fax: 351-21-354-9428

FIPA-Federação das Indústrias Portuguesas Agro-Alimentares
(Federation of the Agro-Food Portuguese Industries)

Av. António José de Almeida, 7-2º
1000 Lisboa
Tel: 351-21-793-8679
Fax: 351-21-793-8537

2. Useful Government Agencies

Direcção Geral de Fiscalização e Controlo da Qualidade Alimentar
(General Directorate for Control of Food Quality)
Av. Conde Valbom, 96
1050 LISBOA
Tel. 351-21-798-3600
Fax: 351-21-798-3834

Direcção Geral da Alfandega
(Customs General Directorate)
Terreiro do Trigo
1100 Lisboa
Tel. 351-21-886-1059
Fax: 351-21-888-3686

Direcção Geral das Relações Ecómicas Internacionais
(General Directorate for International Economic Relations) (Import Certificates)
Av. Da República, 79
1094 LISBOA CODEX
Tel. 351-21-793-3002
Fax: 351-21-796-3723

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page: http://www.fas.usda.gov.

APPENDIX I. STATISTICS

A. Key Trade & Demographic Information

Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%) [1/] **- 1998**	**$5,566/4 %**
Consumer Food Imports From All Countries($Mil)/U.S. Market Share (%) [1/] **1998**	**$1,931/1 %**
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%) [1/] **- 1998**	**$921/2%**
Total Population (Millions) / Annual Growth Rate (%) **- 1998**	**9.4/0.3%**
Urban Population (Millions) / Annual Growth Rate (%) **- 1998**	**3.1/0.1%**
Number of Major Metropolitan Areas	**2**
Size of the Middle Class (Millions) / Growth Rate (%) [2/] **- 1998**	**4.4/0.1%**
Per Capita Gross Domestic Product (U.S. Dollars) **- 1998**	**$11,368**
Unemployment Rate (%) **- 1998**	**4.8%**
Per Capita Food Expenditures (U.S. Dollars) [3/] **- 1998**	**$4,500**
Percent of Female Population Employed **- 1998**	**62%**
Exchange Rate (US$1 = 1 Portuguese Escudos) **November 1999**	**PE 190**

1/ FAS' Global Agriculture Trade System using data from the United Nations Statistical Office.
2/ Data is divided as follows: 31.7% Middle Class + 15.3% High MiddleClass.
3/ Office estimate.

PORTUGAL'S FOOD IMPORTS ($ MILLION)

	Imports from the World			Imports from the U.S.			U.S Market Share		
	1996	**1997**	**1998**	**1996**	**1997**	**1998**	**1996**	**1997**	**1998**
CONSUMER-ORIENTED PRODUCTS	1,776	1,618	1,931	10	9	10	1	1	1
Snack Foods (Excl. Nuts)	161	158	171	1	1	1	0	0	0
Breakfast Cereals & Pancake Mix	25	26	28	1	1	0	0	0	0
Red Meats, Fresh/Chilled/Frozen	327	315	332	1	1	0	0	0	0
Red Meats, Prepared/Preserved	46	46	52	0	0	0	0	0	0
Poultry Meat	20	16	18	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	121	112	125	1	1	1	0	0	0
Cheese	40	43	52	1	0	1	0	0	0
Eggs & Products	10	9	10	1	1	0	0	0	0
Fresh Fruit	259	225	289	1	1	1	0	0	0
Fresh Vegetables	94	77	116	1	1	0	0	0	0
Processed Fruit & Vegetables	146	121	138	1	1	1	0	0	0
Fruit & Vegetable Juices	50	53	63	1	1	1	0	0	0
Tree Nuts	27	22	21	6	3	3	21	15	13
Wine & Beer	66	58	117	1	1	1	0	0	0
Nursery Products & Cut Flowers	35	36	40	1	1	1	0	0	0
Pet Foods (Dog & Cat Food)	29	32	45	2	3	3	6	9	8
Other Consumer-Oriented Products	320	270	313	2	2	2	1	1	1
FISH & SEAFOOD PRODUCTS	777	729	921	28	12	18	4	2	2
Salmon	4	8	14	1	1	1	10	9	3
Surimi	4	5	7	1	1	1	8	14	8
Crustaceans	106	100	120	1	1	1	0	0	0
Groundfish & Flatfish	414	362	446	27	7	15	6	2	3
Molluscs	46	55	72	1	3	1	1	5	0
Other Fishery Products	203	200	263	1	1	1	0	0	1
AGRICULTURAL PRODUCTS TOTAL	4,209	3,754	4,100	358	274	174	9	7	4
TOTAL	5,357	4,901	5,566	406	309	228	8	6	4
Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office									

PORTUGAL's TOP 15 FOOD SUPPLIERS

CONSUMER-ORIENTED IMPORTS					FISH & SEAFOOD PRODUCTS IMPORTS			
($1,000)	**1996**	**1997**	**1998**		**($1,000)**	**1996**	**1997**	**1998**
Spain	704,179	660,508	846,858		Spain	207,175	218,528	269,314
France	305,745	273,654	307,408		Norway	107,430	88,379	191,676
Netherlands	158,399	133,336	155,272		Iceland	49,386	43,308	71,745
Germany	83,165	93,408	90,394		Russian Fed.	81,084	86,300	64,675
United Kingdom	105,475	93,873	89,040		France	31,645	27,067	36,649
Italy	57,036	46,460	77,743		Denmark	78,380	53,265	33,908
Belgium	58,376	50,856	64,429		S.Afr.Cus.Un	14,127	14,921	20,802
Ireland	17,854	18,505	44,684		United States	28,227	11,531	17,832
Denmark	37,646	35,894	35,927		United Kingdom	18,724	11,841	16,747
Costa Rica	15,566	23,041	25,853		Netherlands	13,320	14,249	15,413
Ecuador	22,621	19,149	22,813		Nigeria	12,545	13,557	15,336
Thailand	44,052	27,347	19,664		Mauritania	11,071	11,624	14,135
Brazil	12,031	15,055	18,404		Ghana	1,420	2,978	12,894
Panama	1,424	3,908	14,796		Mozambique	9,269	8,485	10,372
S.Afr.Cus.Un	10,330	10,434	14,083		Germany	6,167	8,452	9,473
Other	142,447	112,576	104,089		Other	106,851	114,159	120,232
World	1,776,365	1,618,019	1,931,476		**World**	776,826	728,651	921,219
Source: United Nations Statistics Division								